

Message Text

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TAGS: INRS, EEC
SUBJECT: EC CIEC PREPARATIONS: EC TAKES UP NEW COMMISSION PROPOSALS

REF: (A) EC BRUSSELS 10129, (B) EC BRUSSELS A-451
(C) EC BRUSSELS 10172

1. SUMMARY: THE EC PLANS A SERIES OF MEETINGS TO CONSIDER POSSIBLE CIEC INITIATIVES REGARDING LDC DEBT RELIEF, COMMODITIES, AND TRANSFER OF RESOURCES. THE COMMISSION STAFF HAS MADE PROPOSALS IN ALL OF THESE AREAS WHICH A SPECIAL EC "BRAINSTORMING " SESSION WILL TAKE UP ON NOVEMBER 8-9 AND THE EC COUNCIL WILL CONSIDER ON NOV. 15-16. MEMBER STATE VIEWS DIVERGE WIDELY ON THESE PROPOSALS AS WELL AS G-8 TACTICS FOR THE FORTHCOMING CIEC SESSION. END SUMMARY.

2. THE EC PLANS TO BEGIN PREPARATION OF THE NOVEMBER CIEC SESSIONS BY HAVING ANOTHER "BRAINSTORMING" SESSION AMONG HEADS OF MEMBER STATE DELEGATIONS TO CIEC AND KEY COMMISSION OFFICIALS. THIS MEETING WILL PREPARE FOR THE LIMITED OFFICIAL USE

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EC FOREIGN MINISTERS COUNCIL MEETING OF NOVEMBER 15-16

WHICH WILL DEVOTE CONSIDERABLE TIME TO DISCUSSING CIEC PROPOSALS.

3. ALL EC OFFICIALS SAY MEMBER STATES WANT TO PUT FORWARD A CREDIBLE POSITION AT THE CONCLUSION OF CIEC. THERE IS, HOWEVER, A QUESTION OF WHEN NEW CONCESSIONS SHOULD BE MADE. SOME COMMISSION AND COUNCIL SECRETARIAT OFFICIALS ARE CONCERNED THAT THE G-19 MAY BREAK OFF THE DIALOGUE IN NOVEMBER, IF THE G-8 DOES NOT SHOW SOME FLEXIBILITY ON KEY ISSUES. FOR THIS REASON THEY HOPE THE NOVEMBER COUNCIL WILL AGREE AT LEAST IN PART TO THE COMMISSION PROPOSALS. THESE OFFICIALS HAVE THE IMPRESSION THAT THE G-19 IS NOT ABLE TO TAKE ANY INITIATIVES THEMSELVES TO BREAK WHAT THEY DESCRIBE AS THE CURRENT IMPASSE ON MAIN CIEC ISSUES. THEY CONCLUDE THE G-8 MUST TAKE THE INITIATIVE AND PROPOSE NEW CONCESSIONS IN NOVEMBER. IF NOT, THEY FEAR THAT THE G-19 MAY REFUSE TO COOPERATE IN AGREEING TO CONSENSUS POSITIONS ON A NUMBER OF RELATIVELY UNIMPORTANT ISSUES ON WHICH A CONSENSUS IS NOW POSSIBLE. SHOULD LITTLE PROGRESS BE MADE IN DRAWING UP A FINAL CONSENSUS STATEMENT AT THE NOVEMBER SESSIONS, THESE OFFICIALS BELIEVE THE DECEMBER MINISTERIAL CONFERENCE WILL NOT BE ABLE TO COPE WITH ALL OF THE OUTSTANDING ISSUES. ALTHOUGH THEY AGREE THAT ADDITIONAL G-8 INITIATIVES ARE NECESSARY, MANY PERMDEL OFFICIALS DISAGREE ON THE TIMING. THEY SAY THAT THE EC WILL NOT BE PREPARED TO MAKE ANY MAJOR CONCESSIONS UNTIL THE ELEVENTH HOUR, EITHER JUST BEFORE OR DURING THE CIEC MINISTERIAL MEETING. HOWEVER, SINCE IT TAKES THE EC SO LONG TO REACH A CONSENSUS, IT MUST BEGIN NOW TO CONSIDER POSSIBLE PROPOSALS.

4. EC OFFICIALS BELIEVE THE G-19 MAY CHANGE ITS STRATEGY BECAUSE OF THE US ELECTION RESULTS. THEY SPECULATE THAT THE G-19 MIGHT WANT EITHER TO DELAY THE MINISTERIAL UNTIL THE NEW ADMINISTRATION ASSUMES OFFICE OR TO HOLD TWO MINISTERIALS--ONE IN DECEMBER AND ANOTHER AFTER JANUARY 20. THESE POSSIBILITIES WILL BE THE FIRST ITEM FOR DISCUSSION AT THE "BRAINSTORMING" SESSION. OFFICIALS HERE SAY THAT EC CONTINUES TO FAVOR ENDING CIEC IN LIMITED OFFICIAL USE

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DECEMBER. THEY WOULD NOT AGREE TO TWO MINISTERIAL MEETINGS. SHOULD THE G-19 INSIST ON THIS, THEY WOULD SUGGEST HOLDING A MEETING OF CIEC CO-CHAIRMAN IN DECEMBER RATHER THAN HAVING TWO MINISTERIAL MEETINGS.

5. THE COMMISSION STAFF HAS SUBMITTED TO THE NOVEMBER 15-16 COUNCIL MEETING SEVERAL INITIATIVES FOR CIEC IN THE AREAS OF LDC DEBT RELIEF, INCREASED AID

AND COMMODITIES. COMMISSION OFFICIALS DO NOT EXPECT THE COUNCIL TO AGREE TO ALL OF THESE PROPOSALS BUT THEY BELIEVE THE MAIN ONES WILL FORM THE BASIS FOR EVENTUAL EC PROPOSALS. THEY ARE:

A. DEBT RELIEF: THE COMMISSION SUGGESTS LINKING LDC DEMANDS FOR DEBT RELIEF TO INCREASED DC OFFICIAL DEVELOPMENT ASSISTANCE (ODA). IT PROPOSES OFFERING ONE-TIME ADDITIONAL QUICK-DISBURSING ODA TO ABOUT 35 LDCS TO OFFSET IN PART THEIR OUTSTANDING OFFICIAL ODA DEBT OBLIGATIONS OR TO COVER THEIR ODA DEBT PAYMENTS FOR THE NEXT TWO OR THREE YEARS. THIS GROUP WOULD INCLUDE THE COUNTRIES WHICH HAD PER CAPITA INCOMES UNDER \$120 ACCORDING TO THE IBRD'S 1973 LIST. THESE WOULD INCLUDE INDIA, PAKISTAN AND SRI LANKA AS WELL AS MOST OF THE LEAST DEVELOPED COUNTRIES (LLDCS). THE LLDCS WHICH DO NOT MEET THIS CRITERION WOULD BE ADDED TO THE LIST. ONE POSSIBILITY SUGGESTED IS TO TACK ON A ONE-TIME "CIEC TRANCHE" TO THE 5TH IDA REPLENISHMENT, MAKING THE TOTAL ABOUT \$8-9 BILLION. THE COMMISSION ALSO PROPOSES MODIFYING THE CURRENT US/EC STATEMENT REGARDING CASE-BY-CASE TREATMENT OF NON-ACUTE DEBT CASES. AS SUGGESTED IN REF A, COMMISSION OFFICIALS WOULD LIKE TO SIMPLIFY AND ACCELERATE THESE PROCEDURES AND TO ASSURE THAT SUCH RELIEF IS ADDITIONAL TO CURRENT AID TRANSFERS.

B. AID LEVELS: THE COMMISSION PROPOSES EC COMMITMENT TO MAKE A GREATER EFFORT TO ACHIEVE ODA 0.7 PERCENT TARGET AND TO UNTIE AID PROCUREMENT. THE COMMISSION IS ALSO SEEKING EC AGREEMENT TO INCREASE EC-FINANCED FOOD AID ASSISTANCE. IT WOULD LIKE MEMBER STATES TO AGREE TO THE FOOD AID LEVELS PROPOSED IN ITS THREE-YEAR FOOD AID PROGRAM (SEE REF B).

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C. COMMODITIES: THE COMMISSION STAFF SUGGESTS THAT THE G-8 AGREE TO A FORMULATION ON THE INTEGRATED COMMODITY PROGRAM, INCLUDING THE COMMON FUND, WHICH WOULD IMPLY THAT G-8 MEMBERS HAVE LIFTED THEIR RESERVATIONS TO THE NAIROBI COMMODITY RESOLUTION. THE STAFF WANTS TO SHOW SOME FLEXIBILITY AND PROGRESS ON THE ISSUE OF A COMMON FUND FOR COMMODITIES. THE MEMBER STATES STILL HAVE NOT AGREED TO A COMMON RESPONSE TO THE UNCTAD SECRETARIAT ON THIS ISSUE, BUT AGREEMENT IS EXPECTED SHORTLY. IT ALSO SUGGESTS ADOPTING THE IMF STAFF PROPOSAL THAT COMPENSATORY FINANCING SHOULD TAKE ACCOUNT OF THE DECREASED PURCHASING POWER OF LDC EXPORT EARNINGS. THE COMMISSION ALSO PROPOSES THAT INTERNATIONAL COMMODITY AGREEMENTS SHOULD TAKE INTO ACCOUNT RELEVANT ECONOMIC

FACTORS, SUCH AS PRICE INCREASES, BUT THERE SHOULD BE NO AUTOMATICITY TO SUCH PRICE REVIEWS.

6. WHILE THERE IS GENERAL MEMBER STATE AGREEMENT ON THE NEED FOR FURTHER G-8 CIEC CONCESSIONS, PERMDEL OFFICIALS TELL US THAT VIEWS DIVERGE WIDELY ON WHAT SHOULD BE DONE. THEY FORESEE PROLONGED AND INTENSIVE NEGOTIATIONS ON A CIEC PACKAGE, PROBABLY WITH A CONSENSUS EMERGING ONLY AT THE LAST MINUTE. MOST EXPECT THE EC EVENTUALLY TO AGREE TO INITIATIVES REGARDING LDC DEBT RELIEF, COMMODITIES, ESPECIALLY THE COMMON FUND, AND A MODEST INCREASE OF ODA ASSISTANCE FOR CERTAIN LDCS. ALL AGREE, HOWEVER, THAT THE NINE ARE A LONG WAY FROM ACCEPTING THE ABOVE COMMISSION PROPOSALS.
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